

CIA DRAFT CONTRIBUTION FOR NIE-7

IV. Stability of the Tito regime under the impact of the current economic crisis.

Basic Political and Economic Situation in mid-1950.

1. Prior to the current economic crisis in Yugoslavia, the Tito regime had ~~reached a position of precarious~~ <sup>achieved a delicate</sup> political and economic equilibrium. A large majority of the Yugoslav people, probably 75-80 percent of the total population, remained fundamentally opposed to Communism as they have experienced it. The vigorous "class war" carried on by the Yugoslav Communist Party in the period after the end of World War II left deep scars. In particular Tito's collectivization of agriculture, nationalization of industry, anti-Church campaigns, and police-state technique of government have been unpopular. In conjunction with the acute shortage of consumer goods and the extremely low standard of living in Yugoslavia (still below prewar levels), these Communist programs and tactics caused widespread dissatisfaction with the Tito regime before the development of the current economic crisis.

2. The Yugoslav population, nevertheless, had come by 1950 to prefer the Tito government as now oriented to any regime subject to close Soviet control. Tito's firm stand in the face of mounting Soviet-Satellite pressures has appealed to the powerful national pride of the Yugoslavs. Cominform propaganda has largely been discredited as a result of its vituperative excesses, and Tito's personal prestige has grown considerably, even among opposition elements in Yugoslavia. Remnants of former resistance groups, such as the Chetniks and Ustashi, have been liquidated or neutralized, and, at least until recently, internal political resistance appeared to be waning, while the influence of emigre leaders was progressively diminishing. Moreover, in response to the Cominform anti-Tito campaign, the Belgrade Government has made a strong bid for increased popularity by instituting a series of administrative reforms, relaxing police controls to some extent, and conducting an official propaganda war against Soviet "bureaucratic centralism" as distinct from Tito's "democratic socialism."

3. In addition the Yugoslav economy as of mid-1950 had made a strong recovery from the effects of World War II and had demonstrated its ability to make the essential readjustments required by the break with the USSR. Production in the three principal segments of the economy -- agriculture, forestry, and non-ferrous metals -- was above <sup>(or near)</sup> prewar levels. Output of ferrous metals, ferro-

SECRET

alloying elements, coal, electric power, petroleum, chemicals, textiles, and machine tools had reached, and in many instances surpassed, prewar levels. Production in most lines was continuing to expand, and the transportation system was supporting more than twice the prewar volume of traffic.

4. Still, as of mid-1950, the margin of safety in the political and economic stability of the Tito regime remained slight, deriving for the most part from popular inertia and the efficiency of the internal security system rather than from solid support by the population.

Magnitude of the Current Economic Crisis.

5. During the summer of 1950 an extensive drought materially reducing agricultural production ~~and crop yields~~ in Yugoslavia has created an economic crisis that seriously threatens the stability of the Tito regime. Overall grain production in 1950 will amount to 5.2 million tons, or approximately one-third less than the 1949 production of 7.6 million tons. In addition there are substantial shortages of potatoes and other vegetables. Grain shortages and burnt-out pasturage are causing the excessive slaughter of livestock, destroying the long-term prospects for meat supply. During the course of the winter deficiencies in agricultural products will cause extreme hardship and some outright starvation in the absence of substantial imports of foodstuffs.

6. The effects of the current economic crisis will be felt primarily by the urban population, but belt-tightening will be necessary throughout the country. Existing government stocks of grain and other foodstuffs probably will be reserved for the armed forces. Consequently the Yugoslav people can expect a critical deterioration in their standard of living. Food prices on the free market will continue to rise and stringent food-rationing will be essential. Loss of agricultural exports will cause a reduction of total 1950 exports by approximately one-fourth (\$50 million) and in turn will require a substantial cutback in the importation of consumer goods and raw materials for light industry. As a result, there will be a serious inflationary threat to the entire economy.

7. ~~Yugoslavia is incapable of financing emergency food purchases from the West because its foreign exchange reserves, including the increments from US and other Western financial aid, are nearly depleted by purchases and commitments for import.~~ Yugoslavia is incapable of financing emergency food purchases from the West because its foreign exchange reserves, including the increments from US and other Western financial aid, are nearly depleted by purchases and commitments for import. A cutback in the basic Five Year Plan

2.

~~CONFIDENTIAL~~

SECRET

of economic development would provide only limited funds for the purchase of foods. Nothing short of substantial Western assistance can alleviate the strain on the Yugoslav economy.

8. The following imports are estimated to be essential to meet domestic requirements until the 1951 harvest becomes available: grain for food and feed 1.1 million tons, beans 30,000 tons, fats 20,000 tons, sugar 20,000 tons, and potatoes and vegetables 300,000 tons. (The official Yugoslav Government request for foodstuffs, ~~is estimated~~ <sup>based on estimated deficiencies which are only calculated</sup> to cost about \$70,000,000.) In addition, to alleviate an acute shortage of consumers goods, which has seriously reduced the incentive to work, cotton and wool purchases from abroad for use in clothing should be obtained in the following amounts: 24,000 metric tons of cotton (\$20,000,000) and 3,000,000 pounds of wool (\$2,300,000).

#### Internal Effects of the Crisis.

9. As a result of the drought and its effect on the Yugoslav economy, the stability of the Tito regime has deteriorated. ~~Peasant~~ Peasant hostility toward the regime has already resulted in a number of violent local disorders. If the level of rural living conditions declines further under the impact of the drought, and if local authorities exert increasing pressure to extract food quotas, as seems inevitable in the absence of considerable outside aid, it is possible that local disorder will spread and become more difficult to control. A sharp decline of the already low living standards will undermine the morale of the labor force, <sup>(seriously)</sup> diminishing its efficiency and output. The high level of absenteeism and labor turn-over evident during the past year already has slowed down Yugoslavia's economic reconstruction and development. Western observers have reported during the past summer that criticism of the regime's failings is general and outspoken. There are ~~some~~ indications that some of this criticism stems from the ranks of the Yugoslav Communist Party, particularly in Slovenia and Croatia. Although charges of Cominformism were recently leveled at three members of the Croatian Republic Government, there is little evidence that Cominformist sentiment is widespread within the Party or that discontent with the regime springs from this source. <sup>(Principal)</sup> The cause of current criticism is simply the apparent failure of the Tito Government to establish Yugoslavia's viability outside of the Soviet orbit.

~~SECRET~~  
CONFIDENTIAL

SECRET

Cominform Attempts to Exploit the Crisis.

10. Although previous efforts on the part of the Cominform to foment internal resistance and to win adherents among Yugoslav Communists have been unsuccessful, growing economic privations and hardship will facilitate the spread of Cominform propaganda. At present the Cominform is ignoring the drought and concentrating on "growing popular resistance" to Tito's export program and his "sell-out" to Western "imperialists." There are indications that this propaganda is gaining <sup>(somewhat)</sup> in effectiveness, not only with pro-Cominform Communists, but also with Yugoslav non-Communists.

11. Nevertheless, despite <sup>the</sup> economic crisis, the Yugoslav security forces probably are strong enough and efficient enough to maintain internal order during the next few months in the absence of a substantial increase in Cominform subversive activities. If the hardships brought on by the economic crisis are not alleviated by outside aid, the maintenance of internal security would place a heavy material and psychological burden on the Yugoslav government.

12. The Cominform probably will increase the efforts of its agents in the fields of espionage, subversion, sabotage, the fomenting of labor unrest, and possibly attempts to assassinate Yugoslav leaders. Although underground penetration of Yugoslavia by Cominform agents presents exceptional difficulties, a limited clandestine traffic across the Yugoslav frontiers has existed for some time, and there are in neighboring countries a number of camps engaged in training Cominform partisans for operations in Yugoslavia. In fact, some of the recent ostensibly spontaneous peasant uprisings may have been directed by Cominform agents. Although anti-Soviet feeling among the Yugoslav peoples is so strong as to make unfeasible the conduct of guerrilla activities under the banner of Cominformism, the USSR can increase its efforts to exploit Yugoslav popular discontent, national antagonisms, and separatist tendencies. Prolonged disorder and tension thus sustained eventually could lead to the formation of a so-called Yugoslav "resistance" government actually subject to Soviet domination. Such disorder also could lead to a Soviet or a Satellite attack on Yugoslavia, probably in support of a "resistance" government.

Prospects of the Tito Regime for Survival.

13. It is uncertain whether or not the Tito regime <sup>could</sup> survive the <sup>next six</sup> months if there should be no Western aid and if the Cominform should <sup>appreciably</sup> increase its efforts to undermine the government. These two conditions are likely to

4.

SECRET

go hand in hand, since the absence of substantial outside assistance would almost certainly encourage the Cominform to exert its maximum effort against Tito. There is at least an appreciable chance that the combination of internal discontent and Cominform-directed subversive pressure would discredit the regime and either break its hold on the country or establish local guerrilla strongholds from which to bring about the eventual overthrow of the government. Even if the Tito regime should survive the current crisis under these circumstances, as it might, its ideological appeal as an embodiment of independent, non-Soviet Communism would be severely limited.

14. The possibility of the ~~overthrow~~<sup>or</sup> critical weakening of the Tito regime in this way is the primary threat implicit in the current economic crisis. A softening of Yugoslav defensive capabilities and will-to-resist might occur and might in the course of the next year be a factor in bringing on a direct military attack by the USSR or, more likely, by the <sup>Soviet supported</sup> Satellite states neighboring on Yugoslavia. This factor alone, however, will not be decisive in Soviet strategy, which will be dictated more by the Soviet estimate of the world balance of power and of Western reaction to an attack on Yugoslavia than by the internal Yugoslav situation.

15. In the absence of open military attack, and with outside aid to alleviate the hardships of the people, the Tito government probably will survive the crisis. There are no indications as yet that Tito is facing a major insurrection or critical defections from the party and government hierarchy. His security forces should be capable of controlling local disturbances during the ~~next six months~~<sup>next six months</sup>. The morale of the Yugoslav army does not yet appear to have been seriously weakened or its combat-readiness jeopardized. The same Western observers who have reported criticism of the regime also state that the population generally is facing the prospect of a difficult winter with resignation. The dispatch with which Tito appealed to the West for aid and the widely publicized US announcement that food was being sent to Yugoslavia have probably eased Yugoslav fears of widespread starvation. Under these circumstances, the internal situation in Yugoslavia during the next few months, though critical, probably will not cause the fall of the Tito regime or be the decisive factor in bringing on a Soviet or Satellite attack.

#### Consequences of the Survival of the Crisis by the Tito Regime.

Most of the Yugoslav people, including many Communists who joined the

SECRET

Party largely for opportunistic reasons, are basically pro-Western in sentiment. They have been encouraged by recent evidences of closer ties between Tito and the West, as well as by the hope that the Government will continue to modify some of the ~~harsher aspects of~~ <sup>its</sup> internal policies. Most of the relatively small number of Yugoslav Communists who would favor a return to the Cominform fold probably are under the surveillance of the Security Police. The Tito regime itself is most unlikely to choose a political reconciliation with the USSR as the way out of any crisis, even if the <sup>highly</sup> unlikely event that the USSR would once more reverse its party-line on Tito, in spite of the damaging effects on the international Communist movement. If Tito obtains imperatively needed food, equipment and supplies from the West without assuming the role in international affairs of a US "satellite," his position both as party and national leader would remain comparatively secure, and in the long run probably would have been considerably strengthened. The improvement in Yugoslavia's economic condition that would result from effective ~~Western aid~~ <sup>might</sup> further influence Tito to move gradually in a direction favorable to US long-range policy aims, and, in turn, further strengthen the regime by improving the standard of living and political lot of the Yugoslav people.

*Realization on the part of Yugoslav leaders that the future economic and political stability of Yugoslavia depends on the maintenance of close ties with the West is likely to*

CONFIDENTIAL